

Sale ain't over till it's closed

In such a slow market, contracts often don't hold up

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In this market, sellers have to be patient.

As he prepares his Winfield home for listing, Shelton Scott says he's also prepared to wait for a buyer -- even after it appears one has come along.

Slow sales are a fact, and Scott also knows a buyer's contract to purchase his home could fall through.

Hold your breath until you leave the closing table, experts advise sellers.

Lenders have been tightening their requirements on who qualifies for a mortgage. Even a buyer who is pre-approved for a loan amount can find his formal application turned down. These and other derailments can occur right up until you hand over the keys.

There are four minefields in financing:

"The risks are with the property or the buyer's credit, income or down payment," says Kent Cochrum, president of Kings-land Financial Services, Wheaton.

When risk rises in one of the areas, the loan can't go through unless one or more of the other three are strengthened.

For example, the national agencies Fannie Mae and Freddie Mac have designated many areas of the country as "declining" housing markets, which requires a buyer to put an additional 5 percent down.

Lots of areas in Chicago and its environs carry the designation, says Steven McCormick, president of First Centennial Mortgage, Aurora.

So, someone with a good credit score and stable income who could qualify for a mortgage with 3 percent down payment would have to come up with 8 percent in these areas.

Even on loans for neighborhoods where prices are holding up, borrowers have trouble if they have credit problems, spotty employment or other blemishes. Unless borrowers can compensate in another area -- a big down payment or a large income relative to debt, for instance -- they will be out of luck. For sellers, the issue isn't to attract just buyers, but rather financially strong buyers.

"When Realtors start bringing people in, my biggest concern is whether those buyers [have been] properly pre-qualified by a lender," says Scott.

The standard purchase contract used in Illinois shows the prospective lender, the amount of down payment and whether the buyer has been pre-approved for the loan. That gives the seller some idea of the buyer's finances, says Rose Pagonis, agent with Re/Max Professionals Select, Naperville.

But even pre-approval is no guarantee. A buyer still can make a misstep, say missing a bill payment, before the closing and sink the loan.

Real estate agents say they often phone lenders to confirm that the loan is progressing without serious hitches.

For further insulation a seller needn't stop marketing a home when he accepts a purchase contract, says Cindy Banks, an agent with Re/Max Cornerstone in West Chicago. She keeps records of buyers interested in a property but continues to show that property in many instances. "You've got to track the leads in case [the buyer's financing] crashes and burns."

Buyers, of course, also want to avoid snarls. Check early and often with your lender, advises Bob Valente, president of Bancfirst Mortgage, Palos Heights.

And though armed with a buyer's credit, debts and income in the "pre-approval" process, the lender will likely suggest

saving more for a down payment or taking steps to boost credit before purchasing. This helps when they have to verify their financial position when making the formal application.

Address questions to Financing, Chicago Tribune, Real Estate, 435 N. Michigan Ave., 4th Floor, Chicago, IL 60611. You may also e-mail realestate@tribune.com. Sorry, she cannot make personal replies. Answers will be supplied only through the newspaper.

IN THE WEB EDITION: Take a peek at the progress of Kevin's place

Did you meet the 20something first-time homeowner who was introduced in last week's Home&Garden section? He now has 17 days (and \$5,000) left to buy new furniture to furnish his pad and move in. His shopping has begun, but will he make it? See how he's doing at chicagotribune.com/kevinsplace

Credit: By Marilyn Kennedy Melia, Special to the Tribune

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Abstract (Document Summary)

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